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February 21, 2007

Dr. Susan Kelly
President, Charles R. Drew University
1731 East 120th Street
Los Angeles, CA 90059

RE: **CHARLES R. DREW UNIVERSITY OF MEDICINE AND SCIENCE – MEDICAL SCHOOL OPERATING AGREEMENT – PROPOSED AMENDMENTS**

Dear Dr. Kelly:

Thank you for your letter of February 6, 2007, regarding Drew University's proposals to amend the current Medical School Operating Agreement (MSOA). Set forth are responses to each of the key elements of the University's proposals:

Extension or renegotiation of the MSOA through 2009 with annual infrastructure support of \$2.4 million annually

The Martin Luther King Jr. – Harbor Hospital will not serve as a site for residency training in the foreseeable future. At this time, the County's primary focus is to continue to stabilize the facility so as to retain its CMS accreditation. As a result, we are not in a position to consider continuing the Medical School Affiliation Agreement at the hospital beyond the expiration of the current contract term, when the current academic year ends and the current residents move on to other training programs to complete their education.

Moving from time cards to "Performance-Based" payment arrangements

The Department currently uses a mix of unit of service-based and hourly contracts when contracting for clinical services. Unit of service contracting is significantly easier to use with procedural work such as surgeries as opposed to the more cognitive areas in medicine and much of what the Department requires, on an as needed basis, is shift-based work. Given the limited time remaining in this contract term, developing and implementing a performance-based system is not feasible.

Viewing December 2006 as a transitional month

The Department recognizes that the University's voluntary withdrawal of accreditation from the American College of Graduate Medical Education (ACGME) resulted in the University's need to re-assign residents to other hospitals for their inpatient education effective December 1, 2006. Therefore,

the Department and the University collaboratively developed an amendment, which Drew University signed and the Board of Supervisors approved, but which has not been implemented based on Drew University's request to withdraw its approval the day before its presentation to the Board. This amendment would have specifically addressed these and other transition questions for the remainder of the contract term. The Department's efforts have focused on working with Drew University to use the remaining time under the current MSOA as a transition period and remain open to ideas in this regard.

Revisit the use of Recruitment and Retention funds

The Department remains open to alternative ways to use currently allocated funds in the MSOA to support both Drew University's and Martin Luther King, Jr. – Harbor Hospital's transition to new operating models.

Continuation of Medical Education Activities in the new Martin Luther King, Jr. – Harbor Hospital

The new Martin Luther King, Jr. – Harbor Hospital will be a community hospital focused on retaining its CMS contract and regaining JCAHO accreditation. These two goals are the hospital's singular mission and are the objective demonstration of quality care. There can be no consideration of undergraduate or graduate medical education until these goals are met and there is track record of stability.

Securing Physician Services

Beyond the terms of the current MSOA, the Department is specifically not requesting that Drew University secure new physician services on behalf of the County. As was made clear in the previously proposed amendment, the clinical services that were to be provided by Drew were limited by Drew's staffing ability and specifically did not require Drew to recruit additional staff. However, should the Department deem it necessary to contract for additional clinical services, appropriate contracting processes will be used and Drew University is welcome to bid on those competitive contracts as it deems feasible and appropriate. Rates and terms in each contract are based on the scope of work to be provided.

Event Notification

Drew University has no role in the day to day operation of the hospital. Should an allegation of "mishap" be raised, it would be dealt with through the appropriate administrative and peer review processes. Contractors are informed and engaged about events which involve their employees when appropriate and consistent with contract terms.

Drew University's use of County Space

The Department is willing to discuss the use of County-owned space by Drew University for research, clinical and administrative services.

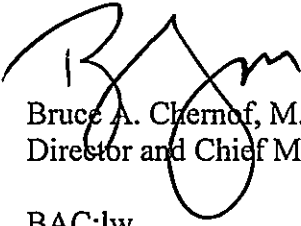
Hubert H. Humphrey Comprehensive Health Center

As the Department continues its efforts to fully develop the outpatient components of the MetroCare model, service delivery at the Hubert H. Humphrey Comprehensive Health Center will also be revisited. Drew University is welcome to respond to any Requests for Information for services at Hubert H. Humphrey, including Urgent Care services.

The Department recognizes that this is an important and difficult transition for both organizations. Given that the current MSOA will end on June 30, 2007, the Department stands ready to talk with you about transition steps that are mutually agreeable in the time that remains. As you know, Dr. Loos and Dr. Splawn have reached out to the University and have been told repeatedly by your staff over the past several weeks that the University would be sending us a letter which we did not receive until February 6, 2006. Dr. Loos and Dr. Splawn stand ready to meet with you at your convenience. The Department respectfully requests that whomever the University designates as its representatives are authorized to speak on behalf of the University. This will avoid the unfortunate situation recently experienced when the University backed away from an executed document.

The Department is looking forward to hearing from you soon.

Respectfully,



Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:lw

c: Board of Supervisors
Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors